



**Executive Board of
the United Nations
Development Programme
and of the United Nations
Population Fund**

Distr.
GENERAL

DP/CCF/GEO/1
30 June 1997

ORIGINAL: ENGLISH

Third regular session 1997
15-19 September 1997, New York
Item 6 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS
FIRST COUNTRY COOPERATION FRAMEWORK FOR GEORGIA (1997-1999)

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
INTRODUCTION	1	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	2 - 10	2
II. RESULTS AND LESSONS OF PAST COOPERATION	11 - 12	3
III. PROPOSED STRATEGY AND THEMATIC AREAS	13 - 30	4
A. Capacity-building for governance	16 - 20	4
B. Poverty reduction through policy advice, rehabilitation and economic growth	21 - 26	5
C. Environmental conservation and management	27 - 30	7
IV. MANAGEMENT ARRANGEMENTS	31 - 34	8
<u>Annex.</u> Resource mobilization target table for Georgia (1997-1999)		9

97-17821 (E) 050897



INTRODUCTION

1. The first country cooperation framework (CCF) for Georgia for the period 1997-1999 outlines thematic areas where UNDP could provide technical assistance to Georgia focusing on sustainable human development (SHD) and national capacity-building. The CCF was prepared following a consultation process that involved the Government of Georgia, UNDP, United Nations agencies and the donor community.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Georgia is situated in the Trans-Caucasus region, on the eastern shore of the Black Sea, and borders Turkey, Armenia, Azerbaijan and the Russian Federation. It has an area of 70,000 square miles, and a population of about 5.5 million. In April 1991, Georgia was one of the first of the former Soviet republics to declare independence. A new constitution was adopted in 1995, presidential and parliamentary elections were held, a parliament was set up and a new government formed.

3. Georgia was one of the wealthiest republics of the former Soviet Union, with high indices of health, literacy and employment. It had a highly educated labour force, a long tradition of entrepreneurship, a successful agricultural sector, and substantial natural resources. It had a head start on privatization, with virtually all rural housing in private hands and a significant underground economy. The country's location made it a primary transit corridor in the Caucasus, and its climate and scenic variety offered great potential for tourism.

4. Despite these favourable conditions, the Georgian economy collapsed, in part due to disruption of traditional payments and trade links, compounded by civil conflicts first in South Ossetia and later in Abkhazia. Per capita income fell from \$2,280 in 1990 to \$363 in 1993, industrial production plunged 88 per cent and agricultural production by dropped 60 per cent.

5. Nevertheless, Georgia's future economic prospects are promising due to the strong possibility that a new oil and gas pipeline will be constructed on Georgian territory from Baku in Azerbaijan to the Black Sea, providing one of the main outlets for Caspian oil and gas to western markets. This possibility has generated interest in the country, and foreign direct investment is likely to rise accordingly.

6. A government programme of economic reform was instituted in 1994, which has contributed to reversing past trends and reducing inflation to 14.4 per cent per year in 1996. Recovery began in 1995 with an estimated 2 per cent growth of gross domestic product (GDP), rising in 1996 to 12 per cent. Despite this progress in economic performance, however, Georgian industry continues to suffer with much of operational plant only working at 10 per cent to 20 per cent capacity; official unemployment in 1996 was estimated at 9.5 per cent of the working population, although it is probably much higher.

/...

7. Poverty. The increase of poverty is very evident. Although the growth of informal sector activities cushioned the impact of the economic decline on living standards, the transition to a market economy, as well as civil conflicts, have brought considerable hardship as documented in the forthcoming World Bank/UNDP poverty assessment for Georgia and the UNDP-assisted third national human development report.

8. Women. With the collapse of the Soviet Union, the situation of women has substantially worsened. At the same time that women were losing their jobs, they had to shoulder the responsibility of maintaining families under the stress of economic hardship and a considerable decline in social services, particularly in health and education. Currently, the average salary of women is a third that of men. The participation of women in economic and political decision-making has also deteriorated as their role in public life has diminished (as in other parts of the former Soviet Union). At present, only 3 to 5 per cent of women are holding senior civil service positions. A major challenge facing Georgia, therefore, is ensuring that legal frameworks provide the necessary environment for attaining gender equality, giving women opportunities to exercise their rights and responsibilities in the economic, social and political spheres.

9. Environment. Georgia faces serious environmental challenges, particularly in relation to the deteriorating quality of drinking water, the increase in air pollution, and the lack of systems to properly manage diverse ecological habitats, especially forests. Steps have already been taken to provide the overall framework for environmental preservation and regeneration through the elaboration of a National Environmental Action Programme, which is due to be completed towards the end of 1997.

10. Governance. Since independence, the Government of Georgia has made steady progress in developing the basic framework of a democratic society and in establishing the necessary institutional mechanisms. On the legislative side, the Georgian Parliament was elected through free and fair elections, and the executive branch, through the civil service, has been adapting its systems and procedures to conform to the requirements of a market economy and a democratic society. The judiciary, on the other hand, has found itself hampered by outmoded procedures and laws that have prevented it from playing its full role in addressing common trends of many economies in transition, namely related to the illegal economy and corruption. As a result, a programme of legal reform is currently under way, to which has been added a number of new instruments such as the Constitutional Court, the Parliamentary Commission against Corruption, and the Ombudsman.

II. RESULTS AND LESSONS OF PAST COOPERATION

11. The major achievements of UNDP cooperation between 1994 and 1996 can be summarized in the following: (a) the establishment of an aid coordination mechanism within the Government, and facilitating the organization of thematic and sectoral donor coordination meetings; (b) initiating rehabilitation work in the Tskhinvali (South Ossetia) region, and promoting dialogue between the parties involved; (c) cleaning up major oil spills in the loading yards of the Georgia International Oil Company; (d) supporting an institution-strengthening

/...

programme at the level of the presidency; (e) establishing the new Georgia Investment Promotion Agency, and identifying the scope for a major regional regeneration project near Poti, on the Black Sea; (f) preparing two national human development reports; and (g) promoting dialogue between ministers of economy and technical ministries in Armenia, Azerbaijan and Georgia.

12. The main lessons learned from this brief period of cooperation suggest that UNDP assistance would be greatly strengthened through (a) greater targeting of UNDP resources to those areas where they can have the maximum multiplier effect; (b) establishing closer linkages with the Government's economic reform and public investment programmes; (c) operationalizing further the programme approach, including through greater cohesion between programmes of UNDP and other United Nations programming activities; and (d) impact monitoring.

III. PROPOSED STRATEGY AND THEMATIC AREAS

13. Given its mandate to promote sustainable human development (SHD) and in line with the Government's own socio-economic development objectives and priorities, UNDP will focus its interventions in the following three main areas: (a) capacity-building for governance at the levels of the presidency, Parliament, the judiciary, and the civil service and local government; (b) poverty reduction through policy advice, rehabilitation in specific areas and economic growth; and (c) conservation and management of the environment.

14. UNDP programmes in the identified three areas will promote national objectives and policies, along with the cooperation of the United Nations system for operational activities, as will be presented in the country strategy note. UNDP will pursue its advocacy role in promoting SHD, underlining the need for incorporating gender issues and involving civil society in its activities.

15. In the context of the evolving situation in Abkhazia and Tskhinvali (South Ossetia), UNDP will contribute to the transition from humanitarian to more development-related assistance as part of a broader United Nations system approach to be reflected in the future country strategy note.

A. Capacity-building for governance

16. In support of the Government's Public Reform Programme, UNDP will focus its interventions in this area on the following programmes (a) capacity-building for the Office of the President (Chancellery) and the Ministry of Foreign Affairs; (b) support to the aid coordination and management programme; (c) support to the promotion of the rule of law; and (d) support to gender-in-development (GID). Close links will be established between these initiatives and the corresponding Regional Bureau for Europe and the Commonwealth of Independent States (RBEC) projects. Further details are given below.

17. Strengthening the decision-making process by supporting the formulation of external and internal policy decisions of the Government. The Chancellery of Georgia is responsible for the day-to-day management of the Presidency and of its relations with the executive, legislative and judicial branches of the

Government, as well as its relations with civil society, foreign Governments and international organizations. The Chancellery relies on the critical support of the Ministry of Foreign Affairs for promoting reconciliation initiatives within Georgia. UNDP will assist reform of the management systems of both institutions drawing on the experiences accumulated by UNDP in Latin America. The impact of UNDP assistance will be felt in the form of better decision-making supported by new management information systems, trained staff, and more effective linkages with other branches of the Government.

18. Support to the aid coordination and management programme. UNDP will contribute to building the capacity of the Chancellery by reinforcing its role as foreign aid coordinator through the newly established Council on Investments, to which the Aid Coordination Agency acts as the secretariat. The impact of this programme will be measured in terms of improved coordination among donors, wider circulation of information, and more effective monitoring and guidance from the Government.

19. Support to the promotion of the rule of law. With the establishment by the Georgian Parliament of new instruments to uphold the Constitution, human rights, and the rule of law, UNDP will assist (a) the Judicial Reform Programme through training and legal advice to the Constitutional Court, (b) the Anti-Corruption Programme, through assistance to the Parliamentary Commission on Corruption and (c) the Human Rights Programme, through the establishment of an office of the Ombudsman. In addition, UNDP will carry out a needs assessment of the Government's legal reform programme, and assist in resource mobilization for it, in cooperation with the United Nations High Commissioner for Refugees (UNHCR). The impact of the above-mentioned programmes will be measured in terms of greater adherence to the rule of law and respect for human rights, both of which should enhance the legitimacy of the executive and the legislative branches, a key element to the sustainability of democracy in Georgia.

20. Support to the gender-in-development (GID) programme. UNDP will assist the implementation of a national action plan prepared as a follow-up to the Fourth World Conference on Women. UNDP will also support the establishment of a national GID unit, to be attached to the Women's Commission of the Chancellery, whose role will be to advocate the inclusion of gender issues in all areas including legislation, and economic and political participation. Close links will be maintained with the RBEC regional GID project and with other United Nations agencies. The impact of this programme will be measured by the degree to which it can strengthen and facilitate a process of systematic revision of existing legislation in Georgia to create a legal environment conducive to gender equality, and to support the institutional basis for this change.

B. Poverty reduction through policy advice, rehabilitation
and economic growth

21. The disappearance of traditional economic and trade links with the Soviet Union, and the removal of established markets for Georgian goods, had a catastrophic impact in the early 1990s on national economic activity and, thus, on employment. But, according to a joint Government/International Monetary Fund (IMF) policy framework paper, by 1995-1996, Georgia began to reap the benefits

/...

of the reform programme launched in 1994. A fast recovery in economic activity is expected over the next three years, led by growth in agriculture and by increased privatization, particularly in agriculture, trade, construction, transport, industry and energy. This should contribute to reducing the impact of poverty experienced during the transition period.

22. The second focus of UNDP activity is thus designed to support a poverty alleviation strategy that has three main thrusts: (a) advocacy of SHD concepts within the context of implementation of the Government's economic reform programme; (b) promotion of mechanisms to encourage investment, including through enhanced subregional trade and cooperation; and (c) facilitating the transition from humanitarian assistance to longer-term growth in the regions of Tskhinvali (South Ossetia) and Abkhazia.

23. Support to a sustainable human development advocacy programme. The implementation of an SHD strategy in Georgia will require the incorporation of human development principles into government policy documents, and particularly through elaboration of a future poverty alleviation strategy. It is proposed that UNDP continue to assist (a) the preparation of future national human development reports and their use to inform government officials, policy makers and civil society on the application of SHD concepts in the Georgian context; (b) the collection and analysis of labour statistics, linked to an IMF-supported statistics development programme, to provide data on employment, unemployment and the informal sector; and (c) the preparation, with the World Bank, of a poverty alleviation strategy, under the UNDP Poverty Strategy Initiative. The impact of the above-mentioned programmes would be reflected in an evident shift in government policies towards placing more emphasis on social needs and priority issues facing the country. In the longer term, this should result in reversing the present decline in the country's human development index.

24. Investment promotion. Under this area, UNDP assistance is envisaged for a few catalytic interventions that are designed to stimulate an influx of foreign investment in the country, as a necessary element for promoting economic growth and generating employment. UNDP will contribute to (a) establishment of the Georgian Investment Promotion Agency, to promote foreign direct investment; (b) the continuation of a multi-business income-generation project for micro- and small-enterprise development under the UNDP MicroStart programme; and (c) regional economic cooperation and integration among Georgia, Armenia and Azerbaijan through the organization of regular subregional meetings to support regional economic integration. The impact of this initiative will be measured by (a) the acquisition of modern industrial know-how through the establishment of joint ventures; (b) the improvement of marketing capacities of various sectors of the economy; and (c) creation of new employment opportunities, particularly in rural areas.

25. Post-conflict regional rehabilitation and development programmes. Working with the United Nations agencies through the Inter-Agency Task force on Humanitarian Affairs, UNDP has initiated a rehabilitation and development programme for the Tskhinvali (South Ossetia) region. Under this programme, UNDP has been working with the Ossetian and Georgian authorities to prepare a programme for the rehabilitation of essential infrastructure damaged by the conflict. The project has been designed as a confidence-building initiative

that is expected to develop understanding between the two sides, pending agreement on a longer-term political and economic arrangement. The project is financed from target for resource assignment from the core (TRAC) 1.1.3 with a total of \$2 million. The impact of this initiative will be demonstrated by the establishment of a joint mechanism managed by the two parties that will contribute to creating a climate of mutual confidence among the population and will facilitate the return and settlement of the almost 60,000 internally displaced persons presently in various parts of Georgia and North Ossetia.

26. Given the greater complexity of the Abkhazia conflict and its greater strategic significance, an imminent agreement on the region's claims for independent status may not be possible. Since hostilities have ceased and the need to develop longer-term solutions continues to be high priority, however, it may be possible for UNDP, if requested, to play a role similar to that in Tskhinvali but between the Abkhaz and Georgian authorities by preparing a national programme for the rehabilitation of the Abkhaz region, and in promoting a confidence-building process for future development.

C. Environmental conservation and management

27. The Government proposes to continue ongoing or initiate new assistance in the following areas, drawing on related funds, including the Global Environment Facility (GEF) and the Montreal Protocol.

28. Environmental management. UNDP assistance will focus on (a) strengthening the information and communications capacity of the Ministry of Environment and Natural Resources Protection; (b) starting a second phase of support to the Georgian International Oil Corporation in order to carry out environmental impact studies relating to its future investments, and the establishment of environmental standards and training programmes; and (c) implementation, as appropriate, of the National Environmental Action Programme (NEAP) currently under preparation through World Bank assistance, including in areas such as reforestation. The impact of the above-mentioned programmes would be manifested in stronger environmental legislation, controls and compliance with the NEAP.

29. Support to the implementation of international conventions and GEF-financed projects. UNDP will contribute to projects concerning (a) climate change (GEF-funded) to prepare: a vulnerability assessment on agricultural, water resources and coastal zones, leading to the preparation of a national strategy to address the issues raised; (b) protection of the ozone layer through a programme to reduce the estimated 6,000 tons of greenhouse gases emitted every year into the atmosphere; (c) biodiversity conservation (GEF/United Nations Environment Programme-supported), for enabling activities to prepare a biodiversity strategy for Georgia; and (d) Black Sea environmental protection focusing on wastewater treatment and solid waste management in Poti and Batumi and the establishment of a national park in the coastal wetlands. The impact of the proposed actions will be demonstrated by verifiable implementation of the principles and recommendations of the relevant international conventions.

30. Renewable energy. In particular, a pilot project co-financed by France will introduce solar energy technology to public institutions such as orphanages

and medical facilities. This will be followed by the formulation of a longer-term strategy to promote the expanded use of such technology. The impact of the renewable energy initiative will be measured in terms of the potential applicability of new technologies to a wide-scale use of solar energy in Georgia.

IV. MANAGEMENT ARRANGEMENTS

31. Execution and implementation modalities. National execution will continue to be the principal modality for executing UNDP-assisted projects in Georgia, although the services of United Nations agencies and economic commissions for certain projects will be used where appropriate. The use of United Nations Volunteers, technical cooperation among developing countries, and United Nations Short-term Advisory Services will also be sought, to the extent possible.

32. Monitoring, review and reporting. All projects will be systematically monitored, evaluated and audited in accordance with UNDP procedures, through progress and technical reports, tripartite meetings and project visits. Particular attention will be given to performance criteria. An in-depth review of the CCF will be conducted after the second year of implementation to ensure its continuous viability and relevance to Georgia's national development.

33. Resource mobilization. UNDP's core resources, amounting to some \$8.4 million, will be used to mobilize additional resources in support of national programme objectives. Tentative project cost-sharing targets of about \$15 million are envisaged. These funds will be complemented through other UNDP global and/or centrally managed funds.

34. Public information and media strategy. UNDP will pursue, in collaboration with the United Nations Department of Public Information, a public information and advocacy strategy in Georgia, which will be used to raise visibility of United Nations cooperation in Georgia.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR GEORGIA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(278)	
TRAC 1.1.1	6 362	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	Presented for initial planning purposes only. Actual assignment dependent on availability of high-quality programmes. Increase in range of percentages subject to availability of resources.
TRAC 1.1.3	2 000	
Other resources	120	TSS-1 (65) and SPR (55) for Poverty Strategy Initiative
SPPD/STS	210	
Subtotal	8 414 ^a	
NON-CORE FUNDS		
Government cost-sharing	15 000	4,000 committed for project cost-sharing. Additional matching funds envisaged under Programme cost-sharing.
Sustainable development funds	325	Global Environment Facility
Third-party cost-sharing	-	
Funds, trust funds and other	30	Poverty Strategy Initiative
Subtotal	15 355	
GRAND TOTAL	23 769 ^a	

^a Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; SPR = Special Programme Resources; STS = support for technical services; TRAC = target for resource assignment from the core; and TSS = technical support services.
